



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0639	Title:	Estab. authority & requirements for state to transact business in gold & silver
Primary Sponsor:	Wagner, Bob	Status:	As Introduced

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|--|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
General Fund	\$462,720	\$447,520	\$458,708	\$470,176
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$462,720)</u>	<u>(\$447,520)</u>	<u>(\$458,708)</u>	<u>(\$470,176)</u>

Description of fiscal impact: The fiscal note reflects the costs to the state to implement and administer a system to accept gold and silver coins as payments. Costs include contracted services with a provider as well as oversight and agency assistance and some additional security.

FISCAL ANALYSIS

Assumptions:

Department of Administration (DofA)

1. It is assumed that Montana would need to have a contract with a provider and that Montana would be responsible for paying fees to that provider for each transaction. This would include all deposits and withdrawals into and from the account. The current state banking contract costs an average of \$33,000/month during 2009 and averaged \$26,000/month in 2008. It is assumed that cost of the provider needed to implement this bill would be an additional \$30,000/month and would not reduce the current costs associated with the existing bank contract.
2. It is assumed that Montana would need to have facilities with greater security to receive and store any gold or silver coins, until the coins can be moved to the provider and credited to an account. The cost of this security was estimated at \$1,000/month and a one-time-only cost of \$10,000 to construct/remodel an area in which the gold and silver coins could be stored.
3. It is assumed that 2.00 FTE would be needed to provide technical assistance to agencies accepting gold and silver coins, monitor activity and to perform reconciliation duties between the state's accounting

system SABHRS and the account. The cost of each FTE was estimated at \$37,760 in FY 2010 and FY 2011. New employee office packages would be \$2,600/year.

4. An inflationary factor of 2.5% was applied in FY 2012 and FY 2013 to on-going costs.
5. The State Human Resources Division (SHRD) assumes payment of compensation to state employees will not have a fiscal impact regarding the payroll process.
 - a. Currently there are two methods employees may elect to receive compensation: by paycheck or by direct deposit. Under this bill, SHRD assumes a third method would be introduced, the electronic gold currency, which would be paid into an electronic gold currency account.
 - b. An employee who elects electronic gold currency payments would manually enter their election into the “employee self service” web portal in Montana Information Network for Employees (MINE) similar to the current method of selecting between having a paycheck issued or credit to a direct deposit account at a financial institution.
 - c. The payroll system would automatically update any employees electing electronic gold currency. An electronic data file transfer for these employees would be sent to the state treasurer’s office, as the state treasurer is the custodian of all money and securities of the state and has the duty to account for all money received and disbursed, per 17-1-111, MCA.
 - d. It is assumed by SHRD that the state treasurer’s office would also need to be involved in the payroll process for monitoring electronic gold currency account balances and transactions as well as recording adjustments to employees’ accounts for any employees that request a demand payment in gold or silver which would require the state treasurer’s office to transact and record.
 - e. Costs to the SHRD are assumed to be minimal.

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
FTE	2.00	2.00	2.00	2.00
<u>Expenditures:</u>				
Personal Services	\$75,520	\$75,520	\$77,408	\$79,343
Operating Expenses	\$387,200	\$372,000	\$381,300	\$390,833
TOTAL Expenditures	<u>\$462,720</u>	<u>\$447,520</u>	<u>\$458,708</u>	<u>\$470,176</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$462,720	\$447,520	\$458,708	\$470,176
TOTAL Funding of Exp.	<u>\$462,720</u>	<u>\$447,520</u>	<u>\$458,708</u>	<u>\$470,176</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$462,720)	(\$447,520)	(\$458,708)	(\$470,176)

Effect on County or Other Local Revenues or Expenditures:

1. Local governments would incur additional costs related to valuing, safe keeping, and re-marketing of the gold and silver, as well as costs for insuring that the gold, silver, and related script are genuine.
 - a. Cost to establish and maintain relationship with a provider.
 - b. Cost to deposit or withdrawal into or from each account.

- c. Cost to monitor, value, re-value and reconcile each account.
- d. Cost make programming changes to computer systems.

Technical Notes:

1. There is no fixed value of gold and silver coin or electronic gold currency. The valuation of gold and silver is volatile in nature. The value is difficult to ascertain and the payment received today may be worth less (or more) tomorrow.
2. From the Board of Investments perspective, it is difficult to invest in gold and silver coins or electronic gold currency and Montana would lose any potential investment income that could be generated on the balances held in gold and silver coins or electronic gold currency accounts.
3. The state's computer systems would require substantial re-programming to allow for the acceptance and payment of gold and silver coins or electronic gold currency. The substantial fiscal impact of such programming changes is very difficult to determine at this time and is not included in this fiscal note.
4. There could be fees to each person conducting business with Montana to have their own individual account, for which the associated costs could not be determined.
5. Section 13(5) proposes that a person entitled to compensation may alter at-will their election to receive U.S. legal tender or electronic gold currency for all future payments until that person alters their election. SHRD uses a pre-note process when an employee changes financial information to reduce risk of errors or fraud. As written, this bill would either circumvent this control or the state would not be in compliance.
6. Section 2(9)(i) states, "...fine silver or fine gold to the extent of less than 85% or more by weight". The underlined language is unclear.
7. One of the fundamental objectives of generally accepted accounting principles (GAAP) is the Monetary Unit principle which assumes a stable currency is going to be the unit of record. The Financial Accounting Standards Board (FASB) accepts the nominal value of the U.S. dollar as the monetary unit of record unadjusted for inflation. Using gold or silver as a basis of currency would therefore be a departure from GAAP.

Sponsor's Initials

Date

Budget Director's Initials

Date